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World social situation 2013: inequality matters

Note by the Secretariat**

I. Introduction

1. The United Nations Millennium Declaration was a pledge to create a more equitable world, in which world leaders recognized that equality and solidarity were essential to international relations in the twenty-first century. Thirteen years after the Millennium Summit, concerns over rising inequality and its impact on achieving internationally agreed development goals have gained prominence among policymakers and society in general. Income inequality has increased in many countries over the past few decades. Progress has been made in reducing inequality in education, health care and other dimensions of human development, yet significant disparities remain. Many social groups continue to suffer disproportionately from income poverty and inadequate access to health care and education and, in general, the gap between those groups and the rest of the population has increased over time.

2. As the international community shapes its vision for the development agenda beyond 2015, it is important to emphasize that addressing inequality is not only a moral imperative, it is also a necessity in order for the full potential of each country's population to be unleashed and to bring development onto a sustainable path. Indeed, there is growing evidence and recognition of the powerful and corrosive effects of inequality on poverty reduction, social cohesion and stability and on the economic, social and environmental sustainability of development.

3. The economic crisis and its aftermath have added urgency to addressing inequality. Fiscal austerity programmes still dominate in many developed countries,

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** The present document contains an overview of the *Report on the World Social Situation 2013* and presents some conclusions and recommendations. The full report will be issued later in the year as a United Nations sales publication.

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and a growing number of developing countries are cutting public expenditure. Popular discontent has grown, trust in Governments is dwindling and people are feeling increasingly disenfranchised. Given the current political context, it is important to stress the detrimental effects of ad hoc cuts in public expenditure, particularly if they pertain to rationalization of the workforce and of social spending. Such cuts have further consequences for income distribution and other dimensions of inequality. Much can be learned from countries that have been able to reduce inequality despite the uncertain global economic outlook.

4. Building on the *Report on the World Social Situation 2005*,[1] which described increasing inequality within and across countries, the present summary examines recent inequality trends and analyses their broad impacts. The report shows that inequality has an impact not only on people living in poverty but evidence demonstrates that highly unequal societies tend to grow more slowly than those with low income inequality, are less successful in sustaining growth over long periods of time and recover more slowly from economic downturns. Inequality generates social tension, political instability and even conflict. Crime, disease and environmental problems are exacerbated by inequality.

5. One of the most disturbing traits of inequality is the tendency to perpetuate itself over time. Income inequality leads to uneven access to health-care services and education and, therefore, to the intergenerational transmission of unequal economic and social opportunities. However, inequality is not predestined to grow over time: policies do have an impact.

II. Recent inequality trends

A. Income inequality

6. More than half of all countries with available data have experienced increases in income inequality since 1990, despite robust economic growth, but trends vary by country and across regions.

7. Although Latin America and the Caribbean remains the region with the highest levels of income inequality, together with Africa, the Gini coefficient declined between 1990 and 2010 in 12 out of 20 countries with data available, including in Brazil, which has traditionally experienced very high levels of inequality.[2] According to the information available, the gap between the rich and the poor declined in many African countries as well, including countries with very high inequality such as Botswana, Lesotho and Swaziland, but has continued to increase relatively fast in South Africa during the post-apartheid period, despite continued economic growth and the expansion of social assistance programmes. In 2008, South Africa's Gini coefficient stood at around 70.[3]

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[1] *Report on the World Social Situation 2005: the Inequality Predicament* (United Nations publication, Sales No. E.05.IV.5).

[2] Frederick Solt, Standardized World Income Inequality Database, version 3.1, released December 2011, available from: http://myweb.uiowa.edu/fsolt/swiid/swiid.html.

[3] The World Bank, *South Africa Economic Update. Focus on Inequality of Opportunity* (Washington, D.C., 2012).

8. Historically, Asia has experienced lower inequality than other developing regions. However, despite remarkable growth and impressive declines in extreme poverty, the region has seen widespread increases in income inequality at the national level, as well as in both urban and rural areas. Between 1990 and 2010, income inequality rose in 20 out of 28 countries with available data, accounting for about 90 per cent of the region's population. In China, inequality increased both in urban areas (with the Gini growing from 25.6 in 1990 to 35.2 in 2008) and in rural areas (from 30.6 to 39.4), leaving rural areas more unequal than urban areas, a position unlike that of most developing countries.[4]

9. Many developed countries have experienced an upsurge in income inequality, including the Nordic countries, previously characterized by low levels of inequality. This increase has occurred despite a period of sustained economic and employment growth. The rise in income inequality has been particularly sharp in Eastern European countries, the United States of America and the United Kingdom of Great Britain and Northern Ireland.

10. While income inequality within countries is significant, differences in mean income across countries are even larger: they account for two thirds of global income inequality. However, international income inequality has fallen in recent years owing to the relative convergence of mean incomes of developed and developing countries and, in particular, to the rapid growth of China. Growth in India and in other emerging countries since the turn of the millennium has also helped accelerate the decline in international income inequality.

11. Despite the fact that low-income countries have been growing faster than high-income countries, and that international inequality is falling, the absolute gap in national mean income per capita between these two groups of countries increased from $18,525 in 1980 to close to $32,900 in 2007, before falling slightly to $32,000 in 2010.[5] It is unclear how the aftermath of the global crises will affect this very recent downward trend.

12. So far, the impact of the recent economic and financial crises has not been shared evenly within developed countries. The Gini coefficient of market income rose between 2007 and 2010 in 20 out of 30 countries members of the Organization for Economic Cooperation and Development (OECD), according to available data.[6] The average disposable income of the top 10 per cent of the population did not decline during those three years in that group of countries. In contrast, the income of the bottom 10 per cent declined by 2 per cent annually. Low- and middle-income groups have been hit hardest by unemployment in those countries, and wage disparities have continued to grow. In contrast, poverty continued to decline in a majority of developing countries between 2007 and 2010. However, a closer look shows that this is a fragile improvement. Many families have reached income levels just above national or international poverty lines, with continued vulnerability to

[4] Asian Development Bank, *Asian Development Outlook 2012: Confronting Rising Inequality in Asia* (2012).

[5] Calculations based on data on GDP per capita from the World Development Indicators database of the World Bank, available from http://databank.worldbank.org/ddp/home.do (accessed 18 July 2013).

[6] See information on income distribution and poverty at the Organization for Economic Cooperation and Development (OECD), available from www.oecd.org/social/inequality.htm (accessed 19 July 2013).

lapsing back into poverty. While the number of people living under $1.25 a day has been declining rapidly and stood at 1.2 billion in 2010, there are still 2.4 billion people living on less than $2 a day, and progress in lifting people above this higher standard has been much slower.[7]

13. Initially, public cash transfers cushioned some of the effects of the crises, particularly in those countries that introduced fiscal stimulus packages. However, the premature move towards fiscal austerity by many may result in greater inequality in the long term. Indeed, an analysis of historical fiscal consolidation programmes has shown that efforts to cut the budget deficit typically reduce demand, raise unemployment and have long-lasting effects on inequality. Episodes of fiscal austerity have been associated with an increase in the Gini coefficient of about 0.1 points in the very short term (during the year following the consolidation episode) and of 1 point in the medium term (eight years following the episode), with their impact declining slowly thereafter.[8] Much of the long-term impact of the recent crises on inequality in both developed and developing countries will depend, therefore, on policies currently in place.

14. While the magnitude of income disparity across countries is large, disparities among individuals are also quite startling. For example, the mean annual income of a resident of Albania ($7,216) or Russia ($13,505) is lower than that of an individual in the lowest 10 per cent of the income distribution in Sweden ($14,838), who also earns almost six times more than an Albanian in the bottom 10 per cent of that country's distribution and 80 times more than a Bolivian in the bottom decile. Poor people in countries with wide income distribution can have lower living standards than poor people in countries with lower mean incomes but narrower distribution (e.g., the bottom 10 per cent earns less in the United States than in Sweden, in Brazil than in India or Indonesia, and in South Africa than in Egypt). The average income of an individual in the lowest 10 per cent of the income distribution in the United States is lower than that of a South African or a Brazilian earning the mean income of their respective countries. At the same time, the mean income of the top 10 per cent in the United States is five times higher than that of the top 10 per cent in Brazil and twice that of the top 10 per cent in Sweden.[9]

B. Non-income inequality

15. Disparities across countries in other indicators of well-being, namely life expectancy and educational attainment, have declined. In general, increases in life expectancy have been faster in developing regions than in developed regions, resulting in convergence in average life expectancy at birth. Convergence in life expectancy at birth is attributable to long-run improvements in standards of living and nutrition, rising levels of education (especially among women and girls) and improvements in public hygiene, health-care technology and infrastructure.

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[7] See the online poverty analysis tool of the World Bank, available from http://iresearch.worldbank.org/PovcalNet/index.htm (accessed 23 July 2013).

[8] Laurence Ball, Davide Furceri, Daniel Leigh and Prakash Loungani, "The distributional effects of fiscal austerity" (2013), available from www.un.org/en/development/desa/working-papers/working-papers-2013.html.

[9] See http://databank.worldbank.org/ddp/home.do (accessed 19 July 2012).

16. Disparities in education have declined following the global expansion of primary schooling, especially in developing countries. In developed countries, particularly in Europe, the decline in educational inequality may have been caused mainly by the expansion of secondary and tertiary education. As many Governments continue to prioritize expanding access to primary school, inequality in educational attainment across countries will continue to fall, especially at the primary and secondary levels. However, major disparities are likely to persist at the post-secondary and tertiary levels, as the financing of higher education and access to post-secondary education of high quality in poor countries remains a serious challenge.

17. Despite convergence across countries, there are still large gaps in access to education within countries, namely between boys and girls. Although sub-Saharan Africa has seen some of the greatest gains in closing the educational gender gap, the region still remains well behind the levels of parity achieved across the developing world. The gender ratio (female to male) for average years of schooling in sub-Saharan Africa increased from 67.2 per cent in 1990 to 80 per cent in 2010. In Latin America and the Caribbean, the gender ratio was 97.2 per cent in 1990 and 98.4 per cent in 2010. In Europe and Central Asia, the gender ratio increased from 91.4 to 98.3 per cent and in East Asia and the Pacific, the gender ratio was 88.3 per cent in 1990 and 88.5 per cent in 2010.[10]

18. In addition, the number of out-of-school children in sub-Saharan Africa remains unacceptably high, and late enrolment is a persistent problem. In Liberia and Ghana, an estimated 87 per cent and 53 per cent, respectively, of pupils entering first grade were two years older than the official school entrance age. A major reason for the late enrolment age is poverty. In 2008, Madagascar had an estimated 62 per cent of pupils from the poorest quintile of households enrol in school at least two years later than the official school entrance age. In contrast, among school-age children from the richest fifth of households, 32 per cent of pupils were late school entrants.

19. Disparities also exist in other Millennium Development Goals. Children living in rural areas of developing regions, for instance, are twice as likely to be underweight than their urban counterparts. In Southern Asia, between 1995 and 2009, underweight prevalence among children from the richest 20 per cent of households decreased by almost one third, whereas there was almost no improvement among children from the poorest households.[11] On average, children in the 20 per cent lowest income households are three times less likely than those in wealthier households to be delivered at birth by a skilled health professional, nearly three times more likely to be underweight, and twice as likely to die before their fifth birthday. Over 2.6 billion people, of whom 1.9 billion live in rural areas, still lack access to a safe form of sanitation.[11] The gap is wide between indigenous peoples, other ethnic minorities and the rest of the population, in terms of income poverty, education and the majority of health indicators, and has generally grown larger over time.[12] Persons with disabilities continue to suffer from a higher-than-average chance of falling into the poorest quintile of the population.

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[10] Robert J. Barro and Jong-Wha Lee, "A new data set of educational attainment in the world, 1950-2010" (revised 2012).

[11] United Nations, *The Millennium Development Goals Report 2011* (New York, 2011).

[12] World Bank, *Global Monitoring Report 2011: Improving the Odds of Achieving the MDGs* (Washington, D.C, 2011).

III. Dimensions and consequences of inequality

A. Mutually reinforcing nature of the dimensions of inequality

20. Social disadvantages, such as those associated with levels of education and skills, health status, gender, race and/or ethnicity, disability, age and location inevitably translate into labour market disadvantages which lead to lower income. The result is reflected in income inequality.

21. Income inequality determines control over financial resources and shapes ability to invest in, and have access to, human capital-enhancing activities such as education and health-care services. Moreover, inequality in income often influences not only the quantity but also the quality of the services to which different income groups have access. Furthermore, when economic inequality is perceived as not rewarding merit and achievement, people may invest less in their own and their children's education and development. The combined effect is lower investment in human capital, lower achievement, lower productivity and lower pay for poorer members of society.

22. In sum, social inequality, namely, those non-income aspects of inequality, reinforces economic inequality. This, in turn, limits the ability of the economically disadvantaged to invest in and access opportunities to enhance human capital, thereby perpetuating social exclusion. The policy challenge is to break the cycle of social and economic inequality by fostering socioeconomic mobility.

23. In general, countries with more economic inequality tend to have less mobility and the lack of mobility in society perpetuates inequality. Large, persistent disparities in income, education and health manifest as intergenerational income inequality. This is due to the fact that poorer families have fewer resources, both financial and social, to invest in their children. This is particularly so in countries where the funding of public education is linked to the local tax base and represents limited or negligible transfers from the public coffer. Spatial segregation also plays a role, as poorer families typically live in localities with less access to employment of better quality and educational opportunities. This underscores the importance of public policy in reversing the mutually reinforcing, self-regenerating cycle of inequality.

24. However, when economic inequality and social exclusion intersect, increasing the opportunities for mobility through inclusive social policy can be particularly difficult. For instance, in societies with large ethnic or racial minorities, when most of the people living in poverty are minorities, the majority group is less likely to support policies that are redistributive. It is also true that, concomitant with the growth in income inequality in many countries in recent years, the support for redistributive policies has weakened.

25. These challenges notwithstanding, experience shows that social policy can shape opportunities for increasing mobility and lowering inequality. For example, many countries in Latin America have experienced declines in inequality in recent years. The rapid increase in access to education, supported by social policy, the growth of formal employment and labour market incomes and increases in social transfers such as conditional cash transfers stand out as some of the main factors that have contributed to this shift.

B. Promoting mobility

26. Education is an important channel for socioeconomic mobility. Improving access to education for marginalized groups fosters empowerment and greater social cohesion among social groups within countries.

27. Tertiary education has proven to be a strong enabler for upward mobility. Early childhood education is also very important, with some research suggesting that achievement trajectories are largely determined by cognitive development levels even before children enter primary school.

28. In reality, children from poor families and disadvantaged socioeconomic backgrounds encounter greater barriers to advancing educationally: they may need to opt out of school and join the workforce in order to contribute to their family's income; their parents are often unable to pay school fees; and they may also lack access to schools of good quality.

29. Thus, public investment in education, especially early childhood education, is a critical policy instrument to equalize opportunities and halt the intergenerational transmission of poverty and inequality.

30. However, increases in educational attainment do not always translate into better occupational outcomes. This highlights the need for inclusive, coherent approaches that integrate educational and labour market policies and programmes to promote mobility effectively in society.

31. Good health is an important precondition for the development of other capabilities such as educational and labour productivity for socioeconomic mobility. Inequality in access to health care affects inequality in education, work and income.

32. Poor health can limit individual socioeconomic prospects and ultimately perpetuate, or even contribute to, the increases in income and non-income inequality. Less healthy children tend to perform more poorly in school and become less healthy adults. Adults in poor health have greater difficulty in finding or retaining good jobs, or may not be able to work as many hours, nor at the same productivity level, as their healthier peers. As a result, they earn lower wages.

33. The effect of poverty on an individual's health has been well documented. There is a clear relationship between poverty and the increased likelihood of poor health, of reduced cognitive development resulting in poorer performance in school, and of lower wages from employment as an adult.[13]

34. Policies to promote investment in health care thus form an important component of any strategy to facilitate socioeconomic mobility. Similar to the case for increased public investment in education, more public resources need to be mobilized for expanding access for all to quality health-care services. Part of such a mobilization may be achieved through redistributive socioeconomic policies.

35. Support for policy measures to address inequality, especially those related to redistribution, is closely related to the existing perception of inequality. The socioeconomic status of individuals and the way in which they view equality of

[13] United Nations Children's Fund (UNICEF), *The Children Left Behind: A league table of inequality in child well-being in the world's rich countries* (Florence, Italy, UNICEF Innocenti Research Centre, 2010).

opportunity for social mobility are factors that influence such perceptions. Individual views on what pay differentials are considered "fair" have implications for how existing inequality might affect social cohesion, political stability and support for policies to address inequality.

36. The media play an important role in shaping preferences. People in countries with higher levels of income inequality and greater access to information view existing inequality less favourably. In fact, the extent of media freedom in democracies is positively associated with spending on health-care and education and the overall level of development.

C. Political, social and environmental consequences of inequality

37. Inequality reduces mobility and erodes social cohesion and social stability. High levels of inequality can interfere with inclusive political participation and effective governance. Crime, disease and environmental problems are exacerbated by inequality.

38. While the relationship is complex, some evidence indicates that inequality under certain conditions contributes to social instability and undermines trust. This is particularly so in situations where there is a large and widening gap between rich and poor.

39. When people view their societies as highly unequal, where opportunities to improve their socioeconomic position are limited, and rewards allocated not on the basis of accomplishment but on some other, externally-given characteristic, they justifiably become discouraged and dissatisfied. This creates fertile soil for protest, even conflict. For example, rising inequality has been identified as a key factor in igniting the protest movements in many of the Arab countries where such protests took place.

40. The relationship between income inequality and conflict is complex. Poorer countries tend to experience more conflict than wealthier countries. Furthermore, horizontal inequality between ethnic groups and regions can lead to conflict.[14] Civil conflicts are more likely to erupt in areas with low absolute income (even if a country's gross domestic product (GDP) per capita is not necessarily low) or in areas with large deviations from the national average.[15]

41. The equitable and adequate provision of social services has the potential to help maintain peace and reduce grievances. As the level of government investment in education, health and social security increases, the likelihood of civil conflict declines significantly.[16]

42. In societies with high levels of inequality, where the benefits of economic development accrue to a narrower segment of the population, political participation

[14] Lars-Erik Cederman, Nils B. Weidmann and Kristian Skrede Gleditsch, "Horizontal inequalities and ethnonationalist civil war: a global comparison", *American Political Science Review*, vol. 105, No. 3 (2011).

[15] Halvard Buhaug, Kristian Skrede Gleditsch, Helge Holtermann, Gudrun Østby and Andreas Forø Tollefsen, "It's the Local Economy, Stupid! Geographic Wealth Dispersion and Conflict Outbreak Location", *Journal of Conflict Resolution*, vol. 55, No. 5 (October 2011), pp. 814-840.

[16] Zeynep Taydas and Dursun Peksen, "Can states buy peace? Social welfare spending and civil conflicts", *Journal of Peace Research*, vol. 49, No. 2 (March 2012), pp. 273-287.

also tends to be unequal. Without appropriate institutions and policies to prevent or ameliorate inequality, political influence tends to be concentrated among the better-off. Such influence is often used to create or preserve unequal opportunities: the wealthy can use their resources and control to influence politics in a broad range of policy areas, including income tax policies, fiscal expenditure allocations and educational policies, to their own advantage.

43. The outcome document of the United Nations Conference on Sustainable Development, entitled "The future we want", adopted by the General Assembly on 27 July 2012 in its resolution 66/288, highlighted the fact that reducing inequality was integral to achieving sustainable development. Inequality exacerbates environmental problems by fostering unsustainable production and consumption patterns. Ensuring community resilience to environmental degradation through both human development and environmental management is often essential to curbing poverty and inequality and reducing the impacts of crises.

IV. Inequality, economic growth and poverty reduction

A. Inequality hinders economic growth

44. There are several ways in which inequality leads to a less stable, inefficient economic system that stifles economic growth and the participation of all members of society in the labour market.[17]

45. First, inequality undermines the efficient functioning of credit markets and the subsequent growth potential of economies by curtailing investment in physical capital and human resource development, particularly among poor and marginalized groups. It is investment in such areas that provides the basis for continued economic growth by ensuring that income growth is strong for lower- and middle-income households alike.

46. Second, inequality is harmful to growth because of its impact on intergenerational income mobility. The greater concentration of wealth makes it harder for people at the bottom to move up the income ladder and become part of the middle class or the top population segment of income distribution. Research to increase intergenerational income mobility has underscored the importance of high and sustained public investment in health care and education, which includes support for early childhood education and post-secondary education for low-income students, rural dwellers and those living in depressed urban areas.

47. Third, studies have shown that when power and decision-making are concentrated in the hands of the few, the effects of inequality on growth tend to be amplified, reducing the economic efficiency and the long-run growth prospects of countries further.

48. Finally, inequality is often associated with financial crises. Research on the causes of the Great Depression of the 1930s and the recession of 2007-2008 has

[17] Joseph E. Stiglitz, *The Price of Inequality* (W. W. Norton and Company, New York, 2012).

shown that rising inequality and higher household indebtedness occurred in the years leading up to those two major economic crises.[18]

B. Inequality slows poverty reduction

49. The pace of poverty reduction tends to be much faster in more egalitarian countries or in countries with lower initial levels of inequality that were then followed by sustained growth spurts. Poverty-reduction efforts have been observed to falter in countries with higher levels of inequality, weaker growth or inadequate social protection programmes. Rising inequality can have a poverty-increasing effect in the absence of increased spending on social programmes that protect vulnerable groups from falling below the poverty line.

50. Favourable changes in both income growth and inequality can result in significant reductions in poverty. It is also true that sufficiently high income growth can result in significant reductions in poverty even when inequality is rising. This has been the case in East Asia and the Pacific, where economic growth has been remarkable, resulting in unprecedented declines in poverty despite the rapid rise in inequality, in countries such as Cambodia, China, Indonesia, Mongolia and Viet Nam.

51. These varied patterns across countries underscore the complex linkages between growth, inequality and poverty reduction. They are a reflection of the different sets of macroeconomic and social policies that countries have implemented in order to stimulate growth, foster structural transformation, create employment opportunities, widen access to basic opportunities in education, health care and job training, and deepen the provision of social services. They reflect the importance of initial conditions and the rate at which economic growth translates into the reduction of poverty and inequality.

52. Studies have shown that both income and non-income inequality dampen poverty-reduction efforts in several ways. Socioeconomic inequality lessens the impact of growth on poverty by excluding people living in poverty from sharing in the benefits of growth. It also undermines the growth process. If the source of rising inequality is underinvestment in providing those opportunities that are critical to poverty reduction and empowerment of the poor, such as education and health care, then inequality diminishes growth prospects and constrains social and economic mobility. In cases where the source of rising or persistently high inequality is related to unequal access to productive assets such as agricultural land, poor rural farmers are unable to share in the benefits of growth fully. Such developments can lead to lower future growth.

V. A focus on social groups

53. One of the most pervasive markers of non-income and income inequality in most societies is group ascription: assignment to a social group based on personal characteristics such as sex, age, ethnic origin, national origin or physical state. As a result of both formal and informal discrimination and other forms of structural

[18] James K. Galbraith, *Inequality and Instability: a study of the world economy just before the great crisis* (Oxford University Press, New York, 2012).

exclusion, members of particular social groups find it harder to secure upward socioeconomic and/or political mobility in their society. In many cases, an individual's chances in life depend significantly on the social group with which they are identified, and how the group, and the individual, interacts with public institutions and the labour market.

54. In any given context, membership of a particular social group intersects with a lower level of human capital, or lower return on investment in human capital, lack of, or reduced access to, resources and services, and denial of political voice. These intersecting disadvantages often condemn disadvantaged groups to generations of poverty and exclusion.

55. Gender and ethnic origin remain two of the most pervasive markers of disadvantage. These overlap with other social groupings such as youth, older persons,[19] persons with disabilities, indigenous peoples and migrants, deepening disadvantages by inequality within and between groups.

A. Youth and inequality

56. As a population group, youth are disadvantaged almost universally: no longer seen as children, but not yet viewed as adults, young people are often faced with structural and cultural barriers to their full participation in economic, social and political life that lead to long-term inequality. Employment has proven to be a particular challenge to youth, with unemployment and underemployment posing the cumulative challenges of income insecurity and disruptions in family life and in other aspects of social development.

57. Due to limitations both real and discriminatory, young people have long faced a jobs crisis. Youth are almost three times as likely as adults to be unemployed. The International Labour Organization (ILO) estimated that more than 73 million young people were unemployed in 2013, an estimated unemployment rate of 12.6 per cent.

58. While young people are disproportionately unemployed in all regions of the world, unemployment is worse in some regions. In the Middle East and North Africa, youth unemployment is especially high, estimated at 29 per cent and 24 per cent, respectively, more than twice the regional averages for general unemployment. Being a young woman in these regions is especially challenging with regard to employment, with unemployment rates for female youth nearly four times the regional average. In fact, unemployment is a sharper problem for young women in almost every region, except the developed economies, the European Union and East Asia.

59. When the economic crisis occurred in 2008, young people in the developed economies felt the brunt of the blow. The estimated youth unemployment rate, according to ILO, in the developed economies and European Union was 17.9 per cent in 2013, an increase of 4.6 percentage points over 2008. Youth in the Middle East and North Africa were also affected with increases of 3.8 and 3.6 percentage

[19] For statistical purposes, the United Nations categorizes youth as persons aged 15 to 24. However, in practice the age-range differs from country to country. The United Nations defines older persons as men and women aged 60 and older. In many developed countries, the term older persons refers to persons aged 65 and older.

points, respectively. While young men were more severely affected in the developed economies, young women were the ones more compromised in the Arab world.

60. Informal employment, vulnerable employment and working poverty present great challenges for young people in the developing world. They are often engaged in unpaid work for family businesses or farms, and those who do get paid are more likely than adults to be in low-wage jobs. Informal and unstable work, and low-wage employment, are not a challenge only for youth in the developing world. According to ILO estimates, young people make up an average 23.5 per cent of the working poor in countries with data, compared to 18.6 per cent of non-poor workers.

61. Added to problems with unemployment and underemployment, the World Bank estimates that there are 621 million young people who are neither employed nor looking for employment. Some of these youth may be engaged in other enrichment activities, but those youth who are unemployed and idle are not developing human capital and are at a greater risk of suffering the long-term effects of poverty and social exclusion. These young people are considered to be particularly vulnerable to the instigation of social unrest and dangerous or criminal activity.

62. Besides their challenges with regard to unemployment, youth also find themselves much more susceptible to particular health risks, particularly young women. For example, the Joint United Nations Programme on HIV/AIDS (UNAIDS) and the World Health Organization (WHO) reported that young people accounted for nearly 40 per cent of all new adult HIV infections across the globe, with young women more heavily affected. Sexual violence against young women, and early pregnancy and its associated risks, continue to be major concerns. Young people (aged 10-29) make up about 41 per cent of all homicide victims across the globe.

B. Older persons and inequality

63. In a similar way to young people, older persons face myriad challenges to their well-being and social mobility as a result of the personal challenges and often discriminatory perceptions ascribed to their age group. Although many older persons around the world are able to continue participating in all aspects of society, many others, in both developed and developing countries, confront insecure income, disproportionate levels of poverty and insufficient access to health care and other services of good quality, such as finance and accessible transportation.

64. The incidence of poverty among older persons varies significantly between countries and, in some cases, older persons are actually better off. However, on average, older persons are more likely to live in poverty than the population as a whole. Evidence from OECD countries shows that older persons, although they have seen income gains compared to other segments of the population, are still more likely to be poor than the average population. Similarly, evidence from Demographic and Health Survey programme surveys in developing countries indicates that households headed by older persons tend to be poorer.

65. The degree of poverty and inequality experienced by older persons is often linked to the quality of social protection schemes. Where effective social protection

schemes are in place, particularly non-contributory old-age pensions and adequate health-care services, older persons tend to be more fully integrated into society.

66. Employment and underemployment present great challenges to older persons, as they confront age-based discrimination in their hiring, training and retention. Older persons thus suffer disproportionately higher rates of long-term unemployment compared to youth and workers of prime age and, even when rehired, experience greater wage losses than younger workers.

67. Access to health care has also proven problematic. User fees and medication costs, the lack of data and understanding regarding the situation of older persons, the location of services and the lack of age-friendly services and structures are some of the common, and even ubiquitous, factors challenging the health situation of older persons.

68. Being female or a member of an indigenous population has proven to compound the challenges. Older women in some countries are often disadvantaged by a lifetime of institutional and cultural discrimination related to property, inheritance, employment, access to services and other factors. Such disadvantages have left them without the human, social and financial capital to live socially- and economically-inclusive lives in their older years.

C. Inequality faced by persons with disability

69. Structural and infrastructural limitations are compounded by discriminatory perspectives that limit the social and economic well-being of persons with disability across the globe. Persons with disability are overrepresented among the poorest population segments. WHO estimated that 20 per cent of the world's poorest were persons with disability. Disability may increase the risk of poverty by excluding individuals from education and work. In turn, poverty may increase the chances of disability by compounding health issues through malnutrition and poor living and working conditions.

70. There is not yet enough data to generalize at the regional or global levels, yet there is growing evidence from every region that persons with disability are less likely than the general population to complete a full course of primary or secondary education and far less likely to acquire tertiary qualifications. Persons with disability tend to have lower employment rates than the average population, in both developed and developing countries. Underemployment poses a significant problem, as persons with disability tend to receive lower wages and experience higher job insecurity.

71. In many cases, accessing adequate health care has also proven problematic for persons with disability many may find themselves at higher risk of morbidity and mortality as a result of the particular health condition causing their disability. Neglect, abuse and acts of discrimination committed by caregivers or health-care professionals exacerbate the difficulties for persons with disability.

D. Inequality faced by indigenous peoples

72. Where the socioeconomic status of indigenous peoples has been documented, evidence shows that they face many socioeconomic disadvantages relative to non-indigenous persons.

73. While deficits in human capital development may play a major role in the relative income disadvantage of indigenous peoples, other intangible factors, such as discrimination, also contribute. In almost all instances, poverty rates are higher among indigenous than non-indigenous peoples. An estimated one third of indigenous peoples are poor, and indigenous peoples are estimated to account for about 10 per cent of the poor worldwide. These poverty levels are reinforced by lower educational attainment and workforce exclusion.

74. In sub-Saharan Africa, the literacy rate of some indigenous groups is as much as four to five times lower than the national rate; likewise, examples from Australia and New Zealand show indigenous unemployment rates at double and triple that of the non-indigenous population.

75. Health-care challenges place indigenous peoples at greater risk of suffering the negative impacts of non-income inequality. Indigenous groups experience disadvantages both in terms of morbidity and mortality, much of which is related to poor nutrition and limited access to health-care services of high quality. Malnutrition, child mortality and maternal mortality all tend to be higher than in non-indigenous groups, and gaps in life expectancy between the two groups are as great as 20 years in some countries.

76. While the position of disadvantage paints a general picture of indigenous groups across the world, the differences are not as stark in some instances, particularly in countries with a high incidence of poverty. In addition, there tends to be heterogeneity among indigenous groups within countries, with some less disadvantaged than others. In some rare cases, as with the Aymaras of Peru and the Guaranis of Bolivia, the social situation of some indigenous groups outstrips that of the general population.

77. Land rights and environmental degradation pose particular challenges to the well-being and socioeconomic mobility of indigenous groups. In many cases, indigenous peoples live communally with nature and use their traditional knowledge and expertise to manage their resources efficiently and sustainably. Forced displacements and the impact of globalization and climate change compound their social marginalization and disadvantage. The dispossession of communal lands belonging to indigenous peoples by both public and private entities has created tensions over land tenure and access to productive land, negatively affecting the socioeconomic and cultural stability of indigenous populations. Many groups responsible for development policies and projects fail to consult indigenous peoples, often leading to the depletion of resources needed for physical and cultural survival, pollution and destruction of the natural environment, and social and community disruption. In some cases, indigenous peoples have become environmental refugees, forced to face the additional challenges of migration and resettlement.

E. Migrants and inequality

78. Poor access by migrants to good education and health care, lack of political voice, work in the informal sector, migration policies and deep-rooted social and racial barriers often limit the opportunities available to migrants, contributing to pervasive inequalities.

79. In most cases, migrants have left their place of origin for better social, economic or political conditions, and therefore they tend to be better off than those they have left behind. However, migrants often face hostility and discrimination in their host destinations and often lose civic and electoral rights.

80. International migrants more often work in precarious and informal jobs, experience higher unemployment and have lower incomes than non-migrants, even at comparable levels of education. Such problems have been associated with lack of recognition of foreign qualifications, poor host country language skills, provisional or irregular legal status, as well as discrimination and other social barriers. As a result of their status, migrants' access to social protection such as unemployment benefits and other social transfers is often limited.

81. Such inequalities tend to persist across generations. Although children of migrants tend to do better than their parents in terms of education, labour market situation and income, they do not fully match the level attained by children of a non-migrant background. This tends to be related to the socioeconomic situation in which they were raised, which is proven to have an effect on educational outcomes and on social and economic performance.

F. Understanding the intersections in addressing persistent inequality

82. It is important that the inequalities faced by social groups be addressed with careful consideration of the context. For one, the various social groups often overlap, further intensifying inequalities faced by persons who fall into these intersections. This intersection of group identities also results in differentiation within each group. Spatial differentiations also overlap with physical and cultural characteristics to shape group vulnerabilities, such that, for example, groups that rely on rural subsistence livelihoods face even greater vulnerability.

83. Understanding the cultural and social context at work in any given environment is thus important for formulating policies to properly address the root causes of persistent inequality. For example, the current discussion has shown educational attainment to be a major factor affecting social disadvantage for various social groups, and has tended to highlight being female as a compounding element. However, in more than half the countries with disparities in secondary education, more females than males are in school. Similarly, in terms of employment, while being a young female tends to put one at the greatest employment disadvantage on a global scale, there are regions where males, particularly young males, are the hardest hit by the crisis. The discussion on indigenous peoples also shows unusual situations in which some indigenous groups experience greater well-being than the general population.

84. In general, policies addressing the negative impact of inequality on particular social groups need to focus on empowering all members of society to build human

and social capital. They must focus on expanding access to basic services and ensuring that the services provided address the needs of all social and cultural groups in society effectively. They must do this with a clear and thorough understanding of the social, political and cultural norms which, together, create the positions of disadvantage in the first place, in order to ensure that the root causes of discrimination and social, political and economic exclusion are addressed and eliminated.

VI. Policy matters in addressing inequality: the way forward

85. The case for giving inequality greater prominence in national and international policy agendas is clear. Evidence shows that rising inequality has dire economic, social and political consequences. Inequality hinders progress towards poverty eradication, erodes social cohesion and threatens social stability. Growing inequality may have played a role in the onset of the recent economic and financial crises, and is making it harder for affected countries to recover from such crises.

86. Inequality trends are far from universal. In general, economic inequality within countries has increased over the past two decades in many countries and regions that enjoyed relatively low levels of inequality in 1990. However, they have declined in some countries of Latin America and Africa that still experience high income inequality. Spatial disparities remain high, as does inequality in education and health care, but such disparities have not increased in all countries. Inequality between social groups still constitutes a large component of overall inequality within countries, and it has been more persistent over time than economic inequality between individuals. There are, nevertheless, successful examples of countries and regions that have been able to break down the barriers faced by some of these groups and promote their participation in economic, social and political life. Cases where inequality has successfully been reduced illustrate the importance of policies and institutions.

87. As many developing countries have shown, addressing inequality requires a combination of growth-enhancing macroeconomic policies and redistributive social policies. For example, in Latin America and the Caribbean, countries such as Argentina, Brazil and Mexico have attempted to reduce both poverty and inequality by strengthening labour market policies and scaling up social transfers.

88. Experience shows that in order to address inequality effectively, there must be a comprehensive policy approach. Such an approach should be socially and economically sustainable and put people at the centre of development efforts. Countries that have succeeded in reducing inequality have tackled the gaps as well as their underlying social, economic and political causes. Given the challenges that exist, narrow, discretionary investment aimed at addressing the basic symptoms of poverty will be insufficient to ensure the sustained reduction of inequality or poverty. Most of the world's poor occupy highly disadvantageous positions in society, and have a limited ability to capitalize on opportunities.

89. Social and economic policies need to be aligned towards the goals of promoting inclusive growth and decent employment in order to reduce inequality. Fiscal policies can reduce economic and social gaps through progressive taxation and redistributive social transfers, particularly if Governments ensure that people living in poverty and disadvantaged groups benefit the most from public spending.

Enhancing capabilities and building productive and financial assets involves not only closing gaps in access to social services but also reducing differences in the quality of such services. There is clear evidence that sustained investment in social services, especially health, education and infrastructure, increases productivity, reduces vulnerability, has strong multiplier effects on demand and reduces social and economic inequality.

90. Urgent action must be taken to ensure public provision, where it does not exist, of a basic social protection floor and to expand its coverage and affordability. There is also a need to strengthen those labour market policies and institutions that ensure decent working conditions and give workers a collective voice, including innovative institutions (such as associations of self-employed workers) and alternative business models (such as cooperatives).

91. However, social policy and labour market institutions alone will not bring about the structural transformations that are necessary to create decent work for all, promote inclusive and equitable economic growth and reduce inequality. A policy environment conducive to the creation of more and better jobs requires macroeconomic policies oriented towards such a goal. Countries that have fared better in sustaining growth and reducing inequality have been able to implement a consistent set of countercyclical fiscal and monetary policies, increasing spending during downturns (and not withdrawing it prematurely), strengthening the regulation of capital flows and managing exchange rate volatility. Complementary policies aimed at promoting industrial development and economic diversification have also proven crucial.

92. Taxes and social transfers have had a significant redistributive impact in many developed countries, with the Gini coefficient relating to income declining by more than 20 points in countries such as Denmark, Germany and Sweden after taxes and transfers. However, the extent of redistribution has not been sufficient to correct the trend towards rising inequality. On the contrary, the very drastic fiscal austerity programmes enforced by Governments are having long-lasting, negative effects on inequality. At a time when private demand is constrained by high unemployment and stagnating salaries, only increased public spending can help revive income and employment. The evidence for expansionary economic policies is clear. It is time to reverse course.

93. Economic and social policies must be complemented by broader interventions that address access to resources and opportunities to participate in social, economic and political processes. Among them is the pressing need to take effective action against discrimination towards individuals and social groups. Measures such as ensuring access to land, credit and other productive resources, ensuring access to housing, fair inheritance rights, full legal capacity and access to justice by women and men living in poverty and those from disadvantaged social groups, are also critical to balancing the inequitable distribution of power and promoting participation.

94. While growing inequality within countries is of great concern, opportunities in life depend largely on an individual's country of residence. Some measures of economic inequality, as well as of the disparity in health care and education, have declined across countries in the past few decades, but they are still larger than the level of inequality found within an individual country, in the large majority of cases.

In addition, improvements in information and communications technologies are heightening awareness of international inequality.

95. Addressing inequality requires broadening the scope of the global partnership for development. The international trade agenda must support measures targeted towards equalizing opportunities for participation in global markets and trade agreements should be harmonized with other multilateral agreements in social development so as to form a more coherent, integrated approach. The recent crises call for a more effective regulatory system for international financial markets. There is scope for further policy coordination across countries in other areas, namely, migration and foreign direct investment. Overall, in an increasingly global economy, emphasis must be placed on the equitable distribution of benefits and on the prevention and management of financial and economic crises. Action must be taken to promote democratic participation by all countries and peoples in the decision-making processes that govern international relations.

96. As the international community shapes its vision for 2015 and beyond, it should take into account that integrating the reduction of inequality into the global development agenda will realign it with the original concept of the Millennium Declaration and will hold Governments to account for the fostering of development that is inclusive, equitable and non-discriminatory. Unless inequalities are deliberately addressed, development progress will continue to favour only parts of the population or the pace of overall progress may even slow down. Goals should be framed in a way that would make them conditional to progress in all segments of the population and address specific actions to reduce inequalities.